

STATEMENT OF PURPOSE

RS20126C1

This bill creates a sales tax exemption on fresh fruits and vegetables. The purpose is to: 1) Provide direct tax relief for basic food commodities at the cash register; 2) Encourage the production and sale of fresh fruits and vegetables at multiple points of commerce from home production and farmers markets to grocery stores; 3) Encourage health by the consumption of fresh fruits and vegetables; 4) Provide a pilot project for implementing a broader sales tax exemption on food; 5) Provide positive budgetary relief to the general fund.

FISCAL NOTE

The estimated annual cost to the general fund of creating the fresh fruit and vegetable exemption is \$11 million. The cost will be offset by eliminating a scheduled increase in the grocery tax credit, and capping the increase of the credit at \$90 per person instead of at the scheduled \$100 per person.

The methodology for determining the \$11 million per year cost of the exemption applies U.S. Census Bureau data of Western State expenditures on fresh fruits and vegetables to total food expenditures. That ratio was applied to the Idaho 2010 sales tax for food (Tax Commission does not break out specifically for fresh fruits and vegetables) to determine the \$11 million cost.

The annual cost of one scheduled increase in the grocery tax credit of \$10 per person is \$14.5 million. Eliminating the grocery tax credit increase for tax year 2012 (paid out in fiscal year 2013) would pay for the fruit and vegetable sales tax exemption beginning in fiscal year 2013 (exemption starting July 1, 2012). The difference between the exemption cost of \$11 million, and the savings of \$14.5 million from eliminating one grocery credit step-up would generate an annual general fund net savings of \$3.5 million beginning in fiscal year 2013.

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